IN THE SUPREME COURT OF THE UNITED STATES

October Term, 1943

No. .....

BERNARD O. MATTSON,
PETITIONER,
vs.
AMUSEMENT CORPORATION OF AMERICA,
RESPONDENT.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

I

JURISDICTION

The jurisdiction of this Court is based upon Judicial Code, Section 240, as amended by the Act of February 13, 1925, 43 Stat. 938, U. S. Code. Title 28, Sec. 347.

The Rule of the Court under which this petition is filed is Sec. 38 (5-b), Revised Rules, effective February 27, 1939.

The date of the decree of which review is sought in this proceeding is November 10, 1943, and is attached to record from the District Court by the Clerk of the Circuit Court of Appeals of the Fifth Circuit.

II

ADMISSIONS

Petitioner's patent is a combination unit and cannot be operated except as a unit. Its main advantage is not

the operational improvement over the old but its adaptability to a shallow tank which can be set flat on the floor or ground so as to eliminate the heretofore almost impossible installment difficulties which obviously made all the older type of moving-duck-pond-targets requiring deeper tanks positively unavailable for traveling carnival shows. The patentee conceived his invention and patented it for his own business as a traveling carnival showman. There was no other reason for its invention or the cost and trouble of securing letters patent. The Mattson invention had no possible use or improvement over the old deep water or horizontal axes types except that it could readily be transported, installed and used with traveling carnival shows and the older types could not be used with a moving carnival with any fair chance of profit because of transportation and installation difficulties with the old types. After excavations and other installment difficulties are overcome with the older types of similarly or equivalent targets, *it may be reasonably admitted that the attendant revenue in operation of the Mattson invention and the older types of the same class of machine would be equivalent.*

III

FIRST QUESTION

Is the burden shifted upon the defendants in patent infringement suits to plead and affirmatively prove, after the plaintiff has made out a case of infringement and proved the defendants gross profits under the circumstances of each particular case, that some particular instrumentaility or improvement was reasonably available to the defendant for the very same use that the infringement device was designated for and used by the infringers, or, is that difficult and often impossible negative burden

continuously throughout the trial on the plaintiff patent owner?

Counsel for the appellants who did not participate in the trial of the proceedings conjured up for the first time in this case in the appellate court a "standard of comparison" available, so he says, for the use of the co-infringers, from certain descriptive words gleaned from the patent itself.

No such defense was raised in the pleadings or testimony. In fact the case was tried with the tacit understanding that the older type of machines were used only as stationary equipment in parks. Corbett himself testified to that in the trial before the District Judge and pleaded that he couldn't use the other types with a carnival show and if the Judge granted the injunction he couldn't go out on the road that spring (1942) with his co-defendant without the Mattson type of machine. But that testimony was lost when the court reporter enlisted in the navy and lost his stenographic notes, at least for the duration. It was with some surprise to the writer to hear this dead defense first come to life in the Appellate Court.

At the middle of page 6 of the opinion of the Circuit Court of Appeals it is stated:

> "In awarding profits on the basis of that proof, and wholly ignoring the standard of comparison, the Master, under a complete misapprehension as to the rule, thought and said that the case was like, and to some extent ruled by *Westinghouse Electric Mfg. Co.* vs. *Wagner,* 225 U. S. 604, and *Decker* vs. *Smith,* 225 Fed. 776. In the first place those cases had to do with profits from sales and not from use, and were governed by a wholly different rule."

In the case of *Yesbera* vs. *Hardesty Mfg. Co.* 166 Fed. 120 (C.C.A. 6th Cir. 1908) it was held, quoting from the syllabus:

> "Patents. Suits for Infringement-Profits-Entiree or Partial Profits. The rule that, where a patent is for an improvement to authorize the recovery of profits from an infringer, the owner must separate or apportion the profits made by the defendant between the patented feature and the unpatented features, does not apply to a patent for a combination as a unit in which the parts cooperate." (ITALICS OURS)

The Circuit Court of Appeals should on the authority of that case alone affirm at least a portion of the appellees judgment. But the Appellate Court in the instant case cited that case for its pure dictum as authority on the third question although it was decided before the enactment of the statute of February 18, 1922, authorizing, so we contend, the District Judge to treble the profits and general damages in patent cases, but nevertheless ignored its value as applied to the onus of proving the standard of comparison or apportionment of profits for a patent as in the instant case that admittedly can only operate as a unit in which the parts cooperate.

This Supreme Court said in *Callahan* vs. *Myers,* 128 U. S. 617, 9 S. Ct. 177, 33 L. Ed. 547 at page 562 of the latter reports:

> "As was said by Lord Eldon in *Mawman* vs. *Tegg*, 2 Russ. 385, 391:
>
> 'If the parts which have been copied cannot be separated from those which are original, without destroying the use and value or the original matter, he who has made an improper use of that which did not belong to him must suffer the consequences of his so doing. If a man mixed what belongs to him with what belongs to me, he must separate them, and he must bear all the mischief which the separation may occasion.' "

* * * * * * *

> "The present is one of those cases in which the value of the books depends on its completeness and integrity. It is sold as a book and not as the fragments of a book. In such case, as the profits result from the sale of the book as a whole, the owner of the copyright will be entitled to recover the entire profits on the sale of the books, if he elects that remedy. *Elizabeth* vs. *Nicholson Pavement Co.* 97 U. S. 126, 24 L. Ed. 1000."

Walker on Patents (Deller's Ed.) pages 2206-7 makes the following quotation:

> "That standard of comparison must have been known prior to complainant's invention and to have been open to the defendant to use in place of the complainant's patent in suit."

IV

RESULT OF DECISION

Query: What will be the logical and general practical effect of the decision or different rule promulgated by the Fifth Circuit of Appeals in the instant case on the chances of recovery for the use infringement of other combination unit patents?

Every bewildered patent owner, like the petitioner herein, would be required to prove by sworn testimony under the strict rules of evidence something the defendants by their silence admit, to wit:

> *The negative proposition that no other traveling carnival show in all history ever installed and operated, successfully or otherwise, the old style horizontal axes deeper tank moving-duck-pond-target divice.*

Being unable to find a truthful omniscient witness in all the world under Heaven, the injured patent owner

with that impossible burden, and all others in like situation, must necessarily lose his or her case unless the easy onus to the defendants of proving by positive evidence the existence of some available standard of comparison, and its transportation, installation and operational cost at the various places and circumstances where the plaintiff's patent was infringed, as compared to the same installation and operational costs of the infringing machine in connection with the same kind of business for which the laintiff's patent was appropriated.

The Appellant Court in the instant case placed upon the plaintiff patent owner the onus of proving by affirmative or negative evidence the existence or nonexistence of this defensive matter.

We contend that the onus of proving this defensive matter is upon the infringers if they want to avail themselves of this sort of defense.

The only possible alternative of the patent owner would be first to imagine or suppose that some of the old style horizontal axes targets were hypothetically used by the infringers, and then secondly, prove hypothetically by expert witnesses:

(1) The cost of setting and installing the Mattson machine with complement tank flat on the concrete floor in the Fair Buildings at Tampa; and (2) the comparative cost of securing a permit, if possible, from the City Building Inspectors of Tampa and the South Florida Fair Association, (3) attorney and permit fees, etc., (4) blasting or tearing up the concrete floor for the installation of the old style machine; (5) the comparative cost and difficulty of transportation and extra cost of installation, etc. of the larger old type machines as

against the similar transportation and installation costs of the Mattson machine; (6) find the comparative cost of perhaps sweeping the concrete floor after removing the Mattson machine as against the cost of refilling with concrete and repairing an excavation about 2 to 4 feet deep, 5 feet wide and 12 to 14 feet long at the prevailing price of labor and materials for each place and season, (7) the comparative cost of furnishing 1300 gallons of water for the old style machine and about 10% of that amount of water for operation of the Mattson patent.

V

IMPOSSIBLE BURDEN

This is not trying to make the task under the new rule of the Fifth Circuit in the instant case ridiculous, but we are even further confronted with the additional troublesome proposition that the defendants might have installed the old outfit out on the baseball field of the Cincinnati Base Ball Club of Tampa instead of in the concrete floored building (R-69) and thereby reduced their installation expense with a possible estimated diminished return for loss of location or position with the show, ad infinitum.

This unworkable rule if once sustained by this Court, means that when the case is referred back for further proceedings the petitioner, Mattson, must find out in some manner whether the infringing device was used in or out of a building at Mobile, Alabama, Flint, Michigan, and all the other numerous places, on wood surfaced floors, sand, brick or concrete each week of each season, as well as at all the other hundred or more places where the defendants pirated his patent, and the comparative

local cost of labor and materials as above outlined, at each and all of these different far distant places.

Under this new rule as it must work (affidavits of experts admitted) no patent owner could ever afford to institute and prosecute to any degree of monetary relief for the "deliberate, intentional and persistent" use-infringement of his patent. Under this rule of the Circuit Court of Appeals in this case the statute enacted to protect his property right (letters patent) is written off just as effectively as though Congress had made an exception as to the petitioner and all use-infringement cases. There can surely be no escape from this wierd but true conclusion barring all recoveries for use-infringement.

VI

ONUS ON DEFENDANTS

The defendants did not see fit to diminish or even attempt to apportion the profits by virtue of the improvement patent of the plaintiff over the prior art and that burden was on them when the plaintiff proved their gross profits from the infringement.

Quoting for brevity from the second syllabus of *American Nicholson Pavement Co.* vs. *City of Elizabeth, et al.*, Fed. Cas. 309, affd. as to this part, 7 Otto 126, 24 L. Ed. 1000. (Text found at pg. 695 of Fed Cas. 309):

> "Under the circumstances of this case the onus of proving that instrumentalities or improvements, not covered by the infringed patent, contributed, and the extent and value to which they contributed, to the defendant's profits, rested upon the defendants; and as they fail to give affirmative proof thereof, before the Master, they are properly charged with the whole amount of the profits which they received."

Frankly, we have found no authority contrary to the above except the opinion of the Circuit Court of Appeals for the Fifth Circuit in the instant case and that Court cited no other. We contend that this Court has already decided this point indirectly in favor of petitioner by affirming that part of that old paving block case and on this point that case should be the law applicable to this case.

The Circuit Court of Appeals in the instant case had the above quotation and citation before it in our brief before that Court. It was and still is our best effort. No comment was made of it below. We think that the last quotation should be the law as applied to the instant case.

If there ever was a standard of comparison available to the defendants in the instant case (we deny there was any such), by which the infringers might have whittled down the amount of their damages or profits for which they should account to the petitioner patentee herein, the onus of proving that instrumentality logically and surely was on the co-infringers in this case, and they were silent as the Master's record here discloses.

We are not asking this Court to abandon or scrap, when applicable, all the doctrine of apportionment of profits or standard of comparison in patent cases, but we petition this Court to give it a reasonable application to cases like this in question.

We respectfully claim that upon the state of the record in this case, the doctrine of the apportionment of profits, if available, could not be raised as a defense for the first time on appeal from the few words gleaned from the patent itself.

VII

SECOND QUESTION

Are co-defendant patent infringers who operate together in pirating the plaintiff's patent on a percentage or share-profit basis of the gross profits or take from the infringing device, liable jointly as tort feasors for the aggregate profit, or, are the co-defendants each liable only for their proportionate or respective share of the net profits or take that can be proved only by the infringers testimony that they each received through their secret division?

RECORD SHOWS CORBETT AN EMPLOYEE, AN AGENT OR PRACTICAL PARTNER OF RESPONDENT

Most of the infringement involved herein even occurred subsequent and during the pendency of this suit in which the plaintiff was seeking an injunction and the defendant Amusement Corporation of America cannot claim to be innocent infringers. The respondent became a pure and unadulterated joint tort feasor without shame or excuse. This Court can surely conceive of no greater act of infringement than the respondent assisting the defendant, Corbett, by furnishing the crowds, location, advertising, state, county and city licenses (R-49-53), light, water, transportation (R-49-52) food and lodging and other facilities (R-51) necessary to infringe the plaintiff's patent and exercising dominion and control over all the show (R-53) as all the money taken in by the target gallery at the end of the day (R-48) was brought by Corbett to the respondent's Secretary and Treasurer and they daily shared the joint fruits of their infringement (R-48-51).

We contend that the Master was correct in recommending that the defendant should be jointly liable for the aggregate profits realized by them for the period involved because they both acted in close conjunction, each doing their particular part in jointly participating in its operation. The Amusement Corporation of America like the principal or Master took daily all the gross returns from the target side-show and in reality paid off Corbett his hire of 60% (with the greater expenses attached) (R-51) like he was their servant dividing the ill-gotten gain. Corbett was truly their employee as much so as the carpenter who works for me furnishing only his tools. Neither could have operated successfully without the other. From the testimony it is quite difficult to ascertain exactly what the technical relationship between the defendants was and the defendants would produce nothing in writing. (R-46).

The Circuit Court of Appeals says they were not partners but did not attempt to classify that relationship. In the District Court it was claimed that the defendants were landlord and tenant without a single written memorandum, lease or contract, rent being payable by Corbett on a commission basis like a sharecropper.

No patent or other case has been cited by Counsel for defendants holding that a carnival show was irresponsible for tort acts or patent infringements of its side-shows or other concessions comprising the whole show and we have found none.

VIII

STATUTE MAKES DEFENDANTS TORT FEASORS FOR DAMAGES.

Since there can be no contribution between joint tort feasors the Court in this cause ought not to require the

patentee to adjust or make a contribution between the co-defendants because the real damages were measured by the pirated profits. The patent owner cannot foresee which one will satisfy the judgment or how much. *Why should the plaintiff be compelled to depend on the infringers word through discovery, which is his sole method of finding out, their secret division or pay-off to each other?* Would it not be to the defendants mutual interest to throw off all the profits onto the financially improvident partner? No harm can be done by a joint judgment against infringers because the plaintiff can have his judgment satisfied but once. *Jennings* vs. *Dolan,* 29 Fed. 861.

Walker on Patents (1937 Ed.) pg. 1647:

> "It is a general principal of law that whoever does an act which naturally causes another to commit a tort, is himself liable to an action therefor (with citations) For example, if A. B. unlawfully makes a specimen of a patented thing, and sells it to C. D., a man whose business it is to use things of that class, there is no injustice in holding the former responsible, not only for his own illegal making and selling, but also for the illegal use committed by the latter, for that making and selling naturally resulted in that using."

The only exceptions to this rule are cases where an order is given for a quantity of articles which may be made with or without a particular patented process or machine, it may be just that the purchaser should not be liable for the unlawful making; a mere workman, for the infringer may not be liable for damages; nor is an innocent co-infringer who innocently stood in no possible position to even profit by the infringement liable as a co-defendant. That is the gravemen of the old paving block case, we believe, of *City of Elizabeth, et al.,* vs. *Pavement Company,* 97 U. S. 126, 140; 24 L. Ed. 1000 (1887) de-

spite the much overworked sentence of that opinion found at page 1006 of the latter report, to wit: "*But one thing may be affirmed with reasonable confidence: that if an infringer of a patent has realized no profit from the use of the invention, he cannot be called upon to respond for profits; etc.*"

There is another line of cases, like *Young* vs. *Herman*, 232 Fed. 361 (CCA—6th Cir.) where the owners of the infringing business are successive, and undoubtedly a judgment for profits should not be joint in such a case, but that is no parallel to the facts in the instant case.

There has been a decided change in the patent statute since 1887, giving the chancellor the right to assess damages and profits as general damages (Act of Feb. 18, 1922) and the 1934 Rules of Civil Procedure abolishing the fine distinctions between actions at law and suits in equity. Those changes would, in our humble opinion, warrant this Court in now discarding or clarifying at least some of the far fetched conclusions drawn from the old case of *City of Elizabeth* vs. *Pavement Co.*, supra, in the light of subsequent patent legislation and modern procedure.

Throughout this case in the District Court the respondent herein has taken the aloof position or legal fiction, that is was not concerned or responsible for the torts or infringement of Corbett as he was an independent concessionaire, paying for his ground rent on a commission basis, and they took the fruits of his infringement which they encouraged immune from any claim from the patent owner. The Circuit Court of Appeals in substance but not in so many words sustained that position in the instant case, apparently under the broad application of the above quoted troublesome sentence in *Elizabeth, et al.* vs. *Pavement Co.*, supra.

In *Conradt* vs. *Clauve,* 93 Ind. 476, 47 Am. Rep. 388 (1883) the defendants were proprietors and managers of a public fair where they charged general admission. One of their attractions was a target shooting space or concession, apparently operated by third persons who did not take proper precautions to protect other patrons on the fair grounds. A marksman accidently missed his or her target and shot the tied horse of another patron. The Fair Association was held liable for the injury to the horse.

There was no privity of contract in that case between the Fair Association that put on the "midway" and the person that shot the horse. But there was privity and a community of interest in the use of the infringement target device between Corbett and the respondent in the instant case. Under the reasoning of the last mentioned case the respondent, a fortrori, should be liable for the injury to the property represented by the patent of the innocent petitioner herein who didn't contract with either.

In the case of *Texas State Fair* vs. *Brittain,* 118 Fed. 713 (CCA 5th Cir. 1902) the same Circuit Court of Appeals for the Fifth Circuit held a State Fair Association liable for defective seats that caused injury to a spectator in a side show concession. For a more cogent reason the same Court should have followed their own decision and held the respondent in the instant case liable to the petitioner for the tort of their employee, agent or partner Corbett who was lodged, fed and transported by them with the infringing machine as part of their traveling midway or show from city to City. That undisputed arrangement could only be some type or quality of principal and agent; or employer and servant; or partnership arrangement.

In the case of *Douglas* vs. *Lang,* 124 S. W. (2) 642 (Mo. 1939) a patron of a wrestling tent concession secured damages from the carnival company for injuries she sustained when she fell over an iron stake in a tent where a wrestling match was being held, where the defendant testified he rented the entire lot that the carnival was on and shared the receipts of the wrestling tent with one McKee, a so-called concessionaire as claimed for Corbett in the instant case.

Respondent could not logically or truthfully claim that Corbett was entirely a free moral agent or on-his-own, so to speak, when their treasurer got 40% of his money each day, like the old Professor did his toady, and the accordian player takes from his dancing monkey.

IX

CORBETT A SPECIAL FORM OF EMPLOYEE

The relationship between Corbett and the Amusement Corporation of America might be likened to the ancient custom of seamen who fish and work on lays or shares with the owners and masters of vessels. This has been universally considered as a special relationship of master and servant. *Pavlis* vs. *Jackson,* 131 Fed. (2) 362 (C. C. A. 5th Cir.). *The Carrier Dove,* 97 Fed. 110 (CCA 1st Cir.) *Benedict on Admiralty,* Sec. 81 (1940 Ed.). Jacob was truly a servant while employed by Laban in the land of Haran for 14 years on a share profit basis. Those who exploit the soil on a share-crop basis have been universally referred to in this country as a "share-cropper" and this special relationship has universally been held to be one of employer and employee and not as landlord and tenant or independent contractor. See, Words and Phrases, "Cropper." Also, *Payne* vs. *Trammell,* 29 Ga. App. 475;

Smart vs. *Hill,* 29 Ga. App. 400; *Howard* vs. *Franklin,* 32 Ga. App. 737 .

In the light of modern procedure and the amended portion of the patent law (formerly Sec. 4921 Rev. Stat. of 1870) as shown in Italics in the copy of Title 35, Sec. 70, U. S. Code in the appendix to this brief, we suggest that this Court now abolish the superfine distinctions made by some Courts between severable judgments for profits and joint judgments for damages.

In the case of *Mowry* vs. *Whitney,* 14 Wall 620-653, 20 L. Ed. 860 at page 866 (Second Case) Mr. Justice Strong delivered the opinion, in the conclusion of which he said:

> "The profits which are recoverable against the infringer of a patent, are, in fact ,a compensation for the injury the patentee has sustained for the invasion of his right. They are the measures of his damages. Though called profits, they are really damages, and unliquidated until the decree is made."

There is no sound reason or basis for the split and joint judgements in any patent case, but cases like the instant case clearly come under the exception already recognized by this Supreme Court, infra.

X

QUERRY

Can the reader conceive of any possible proof of actual damages other than nominal damages in any use-infringement cases?" Isn't the patent owner in such case virtually compelled to elect his statutory remedy of seeking profits from the infringement as his exclusive remedy?

As was said by Circuit Judge Magruder in *Sammons* vs. *Colonial Press,* 126 Fed. (2) 341, CCA 1st Cir. 1942) cited by the Circuit Court of Appeals in the instant case, in a beautifully written copyright case on a moot question where actual damages are more obvious and by statute more easily proven than in mechanical use-infringement cases:

> *"In a case like this the measure of damages is the profits which the plaintiffs would have made upon additional sales of its copyrighted book, had not the infringing book been competing in the market. Gross* vs. *Vand Dyke Gravure Co. 2Cir.* 1916, 230 *Fed.* 412, 414. *It is often difficult for obvious reasons to make satisfactory proof of such damages, and the plaintiffs did not attempt to do so in the case at bar."*

The last mentioned case is also a sad commentary on injustice or frustrated remedy under the split-judgment theory. It might be noted and fairly assumed from the facts in that case the plaintiff's litigation was fruitless because the defendant there, Larkin, who turned over the material to the financially responsible defendant printer did not appeal the large money judgment against him in that case. That defendant, like Corbett, was probably financially broke and the injured copyright owner never recovered because the real guilty defendant escaped behind the maze of legal fiction of a split-judgmnt emanating from the lone sentence in *Elizabeth, et al.,* vs. *Pavement Co.,* supra, although Larkin probably was its undisclosed tool or agent for the very purpose of the infringement.

IX

Petitioner's Case an Exception to the Split-Judgment Rule

There is a long line of cases which hold in substance that whenever one defendant assists or encourages

another in a trespass and stands to share the profits thereof, they are both participes criminis and for that particular act are jointly liable as partners for the entire damage.

We think that the instant case should be also distinguished from those split-judgment cases on the facts and reason that the respondent Amusement Corporation of America and their co-defendant Corbett were in the language of this Supreme Court in *Belford* vs. *Scribner* (1892) 144 U. S. 488, 36 L. Ed. 514, at page 520 "practically partners in doing it." and "participes criminis."

Quoting from the language of Mr. Justice Blatchford in that case:

> "and as it is to be inferred that Donohue & Henneberry made a profit from printing the piratical books, they were therefore sharers in the profits realized from the sale of the books and were *participes criminis* with the defendant corporation in the infringement, that the two sets of defendants together printed and published the books, and *were practically partners in doing it,* —the corporation doing one part, and the other defendants the other part of the printing and publishing; and that all the parties concerned ought to be held to an account to the owner of the copyright in respect to the profits derived from the printing, publishing, and selling, without all of which combined there could have been no infringement."

In that case the judgment for profits was a joint judgment for the entire profits.

X

SECOND CONCLUSION

The injury to and remedy of the patent owner is as to him indivisible. The co-defendant infringers acts

combined to produce a single injury and they shared the profits secretly as to the petitioner. Ordinarily torts actions may be enforced only at law but Congress has recently authorized the entry of such judgments in equity "in the nature of actions of trespass in the case."

> "*Joint Trespass.*" The trespass is a joint trespass where two or more persons unite in committing it, or where some actually commit the tort and the other command, encourage or direct it. The persons participating must act in concert and cooperation, although they do not personally participate in the specific act causing the damage, or although all their acts are done separately, if done with a common purpose. It is not material that they do not share alike in the profits of the trespass." (63 C. J. Trespass, Sec. 2).

The Circuit Court of Appeals in the instant case said "there was no proof or finding that appellant and his (its) co-infringer were partners." Corporations cannot ordinarily become partners with another corporation or a natural person. It was not necessary to prove them general partners but as to this joint infringing venture they were special partners and in the language of Justice Blatchford they were "particpes criminis" and "practically partners in doing it." It was certainly a joint profit sharing adventure involving one of the lowest and meanest forms of theft and the responsible principal offender should not be licensed to infringe under the legal corporate cloak or split-judgment theory.

> "JOINT ADVENTURES. Notwithstanding a corporation has no power to enter into a partnership it may under a joint venture with others transact any business which is within the scope of its ligitimate powers and thereby become liable on account of the fiduciary relation thus assumer, and a corporation may in furtherance of the object of its creation contract with an individual, although the effect of the contract may be to

impose upon it the liability of a partner." (14a C. J. Corporations, Sec. 2140).

If this Court cannot agree with the writer that all judgment for profits like judgments for damage should be joint under the amended patent recovery statute, then we insist that under the theory of joint adventures or "practical partner" theory that the joint judgment of the District Court against the respondent should be approved by this Court. Any other holding is tantamount to a general license to the respondent to infringe the petitioners patent, or anybody's patent, and keep the fruits of their wilful wrong. Every argument for right and justice demands that the second question be answered in favor of the offended patent owner in this case and the judgment of the District Court affirmed.

XII

THIRD QUESTION

Where the Court finds that the defendant's infringement was "deliberate, intentional and persistent" and in its discretion in the interlocutory decree first allows the profits to be trebled and later on final decree reduces the award to actual profits for statutory reasons only, does the amended statute (Title 35, U. S. Code Sec. 70) as now written authorize the Court in its discretion in the first instance to award the plaintiff treble profits?

This question has been presented on petition for certiorari to this Court before, but we believe that this is the first time that the question was presented in a case where the District Court "in its discretion" has actually decreed treble damages, (R-24) on interlocu-

tory decree. Other cases opposed to trebling profits were virtually dictum since the District Court in those cases never "in its discretion" trebled damages. Perhaps this Court might have refused certiorari as to those other cases on this point because they presented in reality a moot question, and there was no intent to affirm those decisions. No abuse of judicial discretion is involved herein but the interpretation of a statute of general application.

Perhaps the Congressional Committee Reports on the February 18, 1922 amendment to R. S. 4921 (See, Appendix B) might throw some light on this point. At this writing those reports are not available to the writer.

The Trial Court did "in its discretion" "increase such damages" in the interlocutory decree referring the cause to the Special Master to determine treble profits and the District Court reaffirmed and found in the final decree that the infringement was "deliberate, intentional and persistent" (R-172). We contend that treble profits were denied as this record clearly shows, only because of a misinterpretation on the part of the District Judge of that portion of the amendment of February 18, 1922 to Sec. 4921 of the Revised Statutes of 1870, comprising the entire middle portion of Title 35, Sec. 70 U. S. Code. The new portion is set forth in italics in the Appendix B.

The Circuit Court of Appeals in the instant case perhaps fell into error by treating Title 35, Sec. 70. U. S. Code, as a re-enactment, word for word, of R. S. 4921. District Judge Norcross in his opinion in the well written cited case since February 18, 1922 of *New England Fibre Blanket Co.* vs. *Portland Telegram, et al,* 61 Fed. (2) 648 (9th Cir. 1932) seemingly also did not notice

that the wording of the new statute was wholly dissimilar to the old law or that his main authority for that decision was reversed on appeal. We contend that the only unreversed cases cited in *New Eng. Fibre Co.* vs. *Portland Telegram*, supra, was mere dicta because in neither case did the District Judge ever award treble profits as he did in the instant case.

The Judge Norcross rule in the 9th Circuit restricting the patentee's treble remedy to actual damages only, rather than treble profits as well, ofttimes affords a patentee inadequate protection in cases where the real value of the patent is in its use and monopoly, as the expense of litigation is ofttimes more than the amount recoverable from the infringers on the actual profits basis. *There is no sound reason for placing an infringer in a position where he might win but could never lose by the infringement anything more than that which was never his.* Furthermore, the Judge Norcross rule is far fetched and a close discrimination and substantially a denial of the permeating spirit of the equal protection of the law to inventors of devices having substantial use value but a limited bulk sales market value as in the instant case. Small gadget inventions may be manufactured and sold in quantity and the patentee can elect to claim treble speculative profits or general damages under the guise of a "reasonable royalty rule" which is after all a legally created fiction and really a roundabout method of arbitrarily fixing the defendant's reasonable profits even though no profits were made, and the Courts have always entered joint judgments under the reasonable royalty rule.

The case of *Flat Slab Patents Co.* vs. *Turner*, 285 Fed. at page 269 (C.C.A. 8th Cir. 1922) Cert. den. 262 U. S. 572, 67 L. Ed. 1215, holds squarely that the term

"damages in the patent law" is used in its general sense and includes profits as a measure of damages.

We urge that the case of *Krentz-Arnold Hinge Last Co.* vs. *Leman,* 24 Fed. (2) 423 (C. C. A. 1st Cir. 1922) should be controlling in the instant case because that case was before the Circuit Court of Appeals of the First Circuit and twice before the U. S. Supreme Court on direct appeal and on the merits. Treble profits was necessarily and inferentially approved in that case on the merits, whereas the denial of the certiorari on the moot question in the New England Fibre case, supra, in the Ninth Circuit did not imply an approval.

The district Judge's decree in *Krentz-Arnold Hinge Last Co.* vs. *Leman,* supra, with reference to treble profits also received approval in the Eighth Circuit as late as 1934 in the case of *Levin Bros.* vs. *Davis Mfg. Co.,* 72 Fed. (2) 163 at pg. 164, (C.C.A. 8th Cir. 1934).

XIII

FINAL CONCLUSION

1. The Circuit Court of Appeals apparently overlooked the fact that a duck pond target must be very low so that the bullets splash in the visible water but when elevated only slightly its attractiveness as a water target is completely lost. That is probably why that Court took so much for granted concerning a standard of comparison from a few descriptive words in the patent. We hope this Court will not fall into the same error. The burden shifted on the infringers to prove some available standard of comparison if they wanted to avail themselves of that defense in the accounting.

2. The respondent did not defend this suit on the

merits with reference to their participation in the joint infringement. There was testimony and plenty of it before the Trial Court connecting its joint workings with the defendant Corbett in violating willfully the patent rights of the appellee, but the record before the Master is sufficient to conclusively prove their arrangements and participes criminis. The record in this cause was prepared by the petitioner below. The voluminous testimony before the Trial Judge on the question of their infringement is not here for review, because the notes of the Court reporter were lost or misplaced before transcribed and he is in the military service. But without that testimony the record before the Master clearly shows the respondent and Corbett were, in the language of Justice Blatchford, "practically partners in doing it" and the judgment should be joint.

The gross profits of the infringers were figured with exactitude from the books of the respondent. The burden was then on the respondent to show their allowable expenses and apportion the damage by proper testimony concerning some sort of standard of comparison, if any existed, but couldn't or wouldn't.

3. The District Court committed no reversible error, except allowing the petitioner treble profits after hearing testimony on their "deliberate, intentional and persistent" (R-172) infringement during the pendency of this suit, and then changing the same for the stated reason that the Court arrived at the opinion that there was no statutory authority for trebling profits. (R-173).

Respectfully submitted,

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